



*United States Attorney
Southern District of New York*

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**U.S. ATTORNEY CHARGES AN ADDITIONAL SEVEN IN CONNECTION
WITH A MULTI-MILLION DOLLAR FRAUD SCHEME INVOLVING
AHOLD SUBSIDIARY, U.S. FOODSERVICE**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK MERSHON, the Assistant Director in Charge of the New York Field Office of the Federal Bureau of Investigation, announced today the filing of charges against seven individuals who assisted in a multi-million dollar accounting fraud engineered by executives at U.S. Foodservice, Inc. ("USF"), a wholly-owned subsidiary of the Dutch food conglomerate Royal Ahold, N.V. ("Ahold"). The defendants all worked for companies (collectively, the "Vendors") that sold food and food-related products to USF. Each of the seven defendants allegedly signed audit confirmation letters that falsely and fraudulently overstated amounts either earned by or owed to USF from the Vendors, thus helping USF to fraudulently overstate its earnings and assets.

The Scheme to Falsify Books and Records

According to the Informations, USF was one of the United States' leading wholesale distributors of food and related products to restaurants and cafeterias. The Informations charge that USF typically purchased the products it resold to its customers from a variety of suppliers at full price. However, it is charged that the suppliers often refunded to USF a portion of the full purchase price in the form of negotiated rebates, known as "promotional allowances." Promotional allowances allegedly reduced USF's cost of sales and thereby increased USF's earnings.

According to the Informations, from time to time between 2000 and 2003, USF's executives caused false entries to be made in USF's books that reflected (a) inflated amounts of promotional allowance income earned during a fiscal year from the Vendors and (b) inflated amounts owed to USF by the Vendors at year end. These entries, it is alleged, were often inflated by millions of dollars for each vendor. USF's outside auditors sent confirmation letters containing these inflated numbers to each of the defendants, according to the Informations. Such letters are routinely used by outside auditors to obtain third-party confirmation of financial information provided by a company's management. Audit confirmation letters therefore play an important role in assuring that financial information reported by public companies is truthful and accurate.

In this instance, USF's outside auditors used year-end confirmation letters to verify the promotional allowance numbers reflected on USF's books, according to the charges. USF executives induced each of the seven newly-charged defendants to sign false letters in order to prevent USF's outside auditors from discovering that the fictitious promotional allowances, according to the Informations and the Indictment filed in July 2004. It is further alleged that each of the defendants knew that the amounts reflected on these confirmation letters were inflated but nonetheless signed the letters and returned them to USF's outside auditors, thus falsely confirming that the amounts were correct.

As a result of this scheme perpetrated by USF executives, USF and Ahold earnings were overstated by approximately \$800 million from 2000 through 2003.

Previous Charges Relating to Today's Informations

The charges filed today bring to sixteen the number of vendors charged with conspiring to falsify USF's and Ahold's books and records. Nine other vendor representatives were charged on January 13, 2005. Like those charged on January 13, separate Informations were filed against the seven defendants charging each of them with conspiring with USF's executives to falsify USF's and Ahold's books and records by signing certain false audit confirmation letters.

Additionally, in July 2004, four former executives of USF were charged for their participation in the scheme to inflate USF's reported results of operations. USF's former Chief

Financial Officer, MICHAEL J. RESNICK, and USF's former Chief Marketing Officer and Executive Vice President of Purchasing, MARK P. KAISER, are awaiting trial on charges of (a) conspiracy to commit securities fraud, to make false statements in filings with the United States Securities and Exchange Commission ("SEC"), and to falsify USF's and Ahold's books and records; (b) securities fraud; and (c) making false filings with the SEC.

In July 2004, two other former USF executives pled guilty to charges stemming from their participation in this scheme to inflate earnings. USF's former Executive Vice President of Purchasing, TIMOTHY J. LEE, pled guilty to charges of (a) conspiracy to commit securities fraud, to make false statements in filings with the SEC, and to falsify USF's and Ahold's books and records; (b) securities fraud; and (c) making false statements to a Government official. Former USF Vice President of Purchasing, WILLIAM F. CARTER, pled guilty to charges of conspiracy to commit securities fraud, and securities fraud.

The Seven Defendants Charged Today

All defendants voluntarily surrendered this morning. Each of the defendants faces a maximum term of imprisonment of five years and a maximum fine of \$250,000.

BRIAN CROWLEY, 50, President, Food Services Division at Ken's Foods, Inc., resides in Wellesley, MA.

ROBERT HENUSET, 55, Director of Sales, East Foodservice at Crowley Foods, LLC, resides in Yardley, PA.

RITCHIE LANGFIELD, 67, independent food broker, resides in Sisters, OR.

FRANK LYSIAK, 60, formerly Director, National Distributor Sales at Rich Products Corporation, resides in Buffalo, NY.

ERNIE ROSENBERG, 57, Key Account Manager at J.R. Simplot Company, resides in Exton, PA.

DALE SCHULZ, 55, independent food broker, resides in Wayzata, MN.

LARRY STONE, 59, independent food broker, resides in Baltimore, MD.

Mr. GARCIA, praised the efforts of the FBI and thanked the SEC for its assistance in the investigation. Mr. GARCIA stated: "We are vigorously pursuing not only those who falsify the company books but also those who help others to do so. The desire to maintain a lucrative business relationship is no excuse for providing false information to corporate auditors. Our system requires that auditors receive accurate information from third parties, so that the public can safely rely on audit results."

Also today, the SEC separately announced the filing of civil charges against all seven defendants.

The charges contained in the Informations are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

Assistant United States Attorney JASON SABOT and Special Assistant United States Attorney ALEX LIPMAN are in charge of the prosecution.

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